

# WORKING CAPITAL FUND

## FY 2000 First Quarter Report: Summary

### I. Relation of Earnings to Expenses

- Each business is expected to achieve a balance between annual ‘earnings’ (billings to customers pursuant to Board-approved pricing policies) and ‘expenses’ (accrued contractual costs adjusted for depreciation, inventory changes, and related business -type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.
- Overall, the Fund broke even in the first quarter of FY 2000. (Table I).

<b>WORKING CAPITAL FUND</b>			
<b>FY 2000 First Quarter Business Results</b> (in Millions)			
<b>TABLE I</b>			
<b><u>Business Line</u></b>	<b>First Quarter Earnings</b>	<b>First Quarter Business Expenses</b>	<b>First Quarter Net</b>
Supplies	\$0.6	\$1.0	(\$0.5)
Mail	\$0.4	\$0.4	(\$0.0)
Copying	\$0.5	\$0.5	\$0.0
Printing	\$0.7	\$0.6	\$0.0
Graphics	\$0.2	\$0.2	(\$0.0)
Printing/Graphics	\$0.8	\$0.8	\$0.0
Building Occupancy	\$14.1	\$12.8	\$1.3
Electronic Services	\$0.2	\$0.2	(\$0.0)
Telephones	\$1.5	\$1.6	(\$0.1)
Desktop	\$0.4	\$0.3	\$0.0
Network	\$0.8	\$0.9	(\$0.1)
Contract Closeout	\$0.2	\$0.1	\$0.0
Payroll & Personnel	\$0.6	\$1.3	(\$0.7)
EIS	\$0.1	(\$0.0)	\$0.1
<b>TOTAL</b>	<b>\$20.1</b>	<b>\$20.1</b>	<b>(\$0.0)</b>

- Specific differences in excess of \$50,000 are as follows:

- The Supplies business line reflected net losses of \$453,000. Three factors of a one-time nature appear to have caused most of this shortfall: (i) a \$220,000 decrease in inventories associated primarily with the return of unusable inventory to GSA; (ii) a delayed payment of \$126,2000 for FY 1997 services in support of the AMPS systems; and (iii) \$84,000 in first quarter costs associated with running both the AMPS system and the new Quicksell program in parallel. While no change in pricing policy is sought, the Fund Manager has identified the Supplies business as a target for review in the planned Working Capital Fund improvement initiative.
- The Building Occupancy Business Line has net earnings of \$1.3 million in the first quarter, but this is attributable to seasonal factors and GSA billing practices, and it is not believed that this profitability will continue throughout the fiscal year.
- The Telephone and Network businesses had costs in excess of earnings in the first quarter of \$137,000 and \$141,000 respectively. The source of these losses is under review; it is likely that customer billings for FTS long distance services were below the vendor charges to the Department. The business line manager believes that pricing policies do not need to be changed and that the businesses are likely to break even for the year.
- Payroll recorded a net loss of \$745,000 for the first quarter because of higher than expected system development costs. The business line is re-planning the development strategy to stay within available funds, and no change in pricing policies appears needed at this point.

## II. Relation of Customer Payments to Anticipated Customer Billings

- " Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund.
- " By December, we had collected \$60 million (74%) of the estimated \$81.7 million in FY 2000 annual revenues. (Table II)

<b>WORKING CAPITAL FUND</b>			
<b>FY 2000 First Quarter Business Results (in Millions)</b>			
<b>TABLE II</b>			
<b><u>Business Line</u></b>	<b>Advances as of First Quarter (including carryover)</b>	<b>Anticipated Full Year</b>	<b>% Collected</b>
Supplies	\$2.0	\$2.8	72%
Mail	\$1.3	\$1.6	79%
Copying	\$1.7	\$2.2	78%
Printing	\$2.6		
Graphics	\$0.2		
Printing/Graphics	\$2.8	\$3.5	79%
Building Occupancy	\$40.0	\$56.8	70%
Electronic Services	\$0.2		
Telephones	\$5.5	\$7.0	78%
Desktop	\$1.4	\$1.6	85%
Network	\$2.5	\$3.3	77%
Contract Closeout	\$0.6	\$0.6	97%
Payroll & Personnel	\$2.2	\$2.2	101%
EIS	\$0.1	\$0.1	151%
<b>TOTAL</b>	<b>\$60.2</b>	<b>\$81.7</b>	<b>74%</b>

- o Several major customers made half-year advances during the first quarter due to apportionment limitations, and we do not now anticipate difficulties in arranging for the remaining advances.

### III. Relation of Payments to Obligations by Business Line

- o There have been no violations of administrative control of funds procedures by WCF business lines.
- o As shown in Table III, funds available exceeded obligations by an estimated \$43 million by the end of the first quarter. The rate of obligation is on track with annualized estimates.

<b>WORKING CAPITAL FUND</b>					
<b>FY 2000 First Quarter Business Results (in Millions)</b>					
<b>TABLE III</b>					
<b><u>Business Line</u></b>	<b>Unobligated Balance 10/99</b>	<b>Current Year Customer Advances</b>	<b>Total available for obligation</b>	<b>First Quarter Obligations</b>	<b>Advances Remaining to be Obligated</b>
Supplies	\$1.0	\$1.9	\$2.9	\$0.7	\$2.2
Mail	\$0.8	\$1.1	\$1.8	\$0.0	\$1.8
Copying	\$1.3	\$1.6	\$2.9	\$0.7	\$2.2
Printing/Graphics	\$0.2	\$2.4	\$2.6	\$1.0	\$1.6
Building Occupancy	\$2.4	\$37.9	\$40.3	\$14.4	\$25.9
Electronic Services	\$0.0	\$0.2	\$0.2	\$0.0	\$0.2
Telephones	\$0.4	\$4.7	\$5.1	\$1.6	\$3.5
Desktop	\$0.2	\$1.2	\$1.4	\$0.4	\$1.0
Network	\$0.0	\$2.2	\$2.3	\$0.7	\$1.6
Contract Closeout	\$0.0	\$0.4	\$0.4	\$0.0	\$0.3
Payroll & Personnel	\$0.1	\$2.2	\$2.3	\$0.4	\$2.0
EIS	\$0.0	\$0.1	\$0.1	(\$0.0)	\$0.1
<b>TOTAL</b>	<b>\$6.5</b>	<b>\$55.8</b>	<b>\$62.3</b>	<b>\$19.8</b>	<b>\$42.5</b>

#### IV. Changes in Budget Estimates by Business Line and Customer

- In FY 1999, the accuracy of the WCF budget estimates improved considerably over FY 1998. Estimates for FY 2000 appear to have stabilized in a similar manner. The FY 2000 Corporate Review estimates in June 1998 were conservatively high because of uncertainties about GSA/OMB policies on building rental rates. With the clarification of these policies, aggregate estimates, as set forth in the table below, have varied relatively little.

<b>FY 2000 Budget Estimates for WCF Businesses</b>		
Date	Process	FY 2000 Billing Estimate (\$Millions)
June 1998	FY2000 Corporate Review	\$83.1
December 1998	FY2000 Congressional Budget	\$81.6
May 1999	FY 2001 Corporate Review	\$81.4
December 1999	FY 2001 Congressional Budget	\$81.7

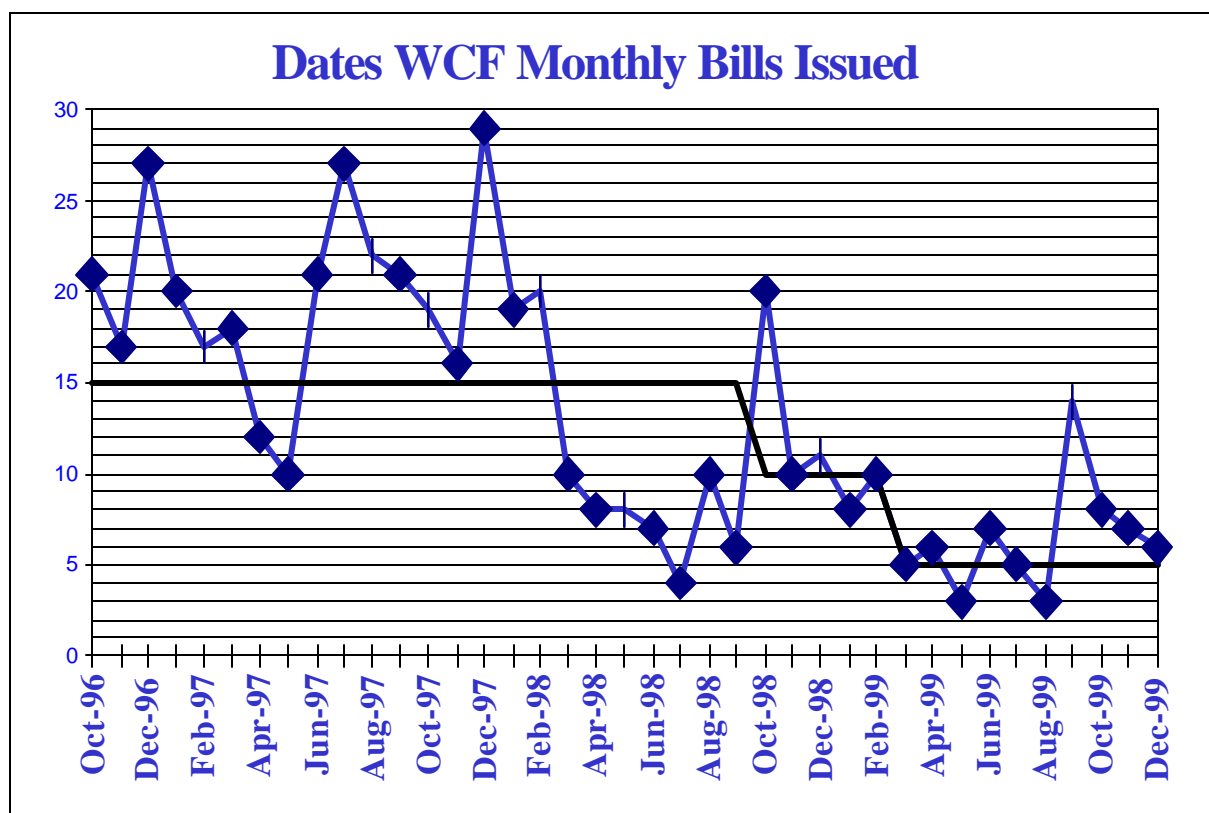
#### V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

- There does not appear to be a financial need for major pricing policy changes for FY 2000, though the Working Capital Fund improvement initiatives now being considered could result in pricing policy adjustments for other reasons.

## VI. Financial Management Systems Progress

### Working Capital Fund Billing System

- The Working Capital Fund billing system continues to perform well, and all three monthly bills in the first quarter met the DISCAS cutoff dates. The following table presents the overall progress of the billing system in terms of timeliness.



- One recurring problem has been the timely recording of accrued costs in DISCAS by business line managers. For the coming quarter, WCF staff will meet with business line fund managers prior to the end of the quarter to ensure that appropriate accruals are in place.

- The publication of the FY 2000 “Blue Book” has been delayed, but is expected to occur later in February. Most WCF pricing policies are unchanged since the FY 1999 “Blue Book” was issued, and customers have been alerted to minor changes in monthly billing memoranda. Customers may access the “Blue Book in electronic form on the WCF Home Page at <http://vml.hqadmin.doe.gov:80/wcf/>

### **Inspector General Report Follow-On**

- " The House Energy and Water Appropriations Subcommittee has asked the DOE Inspector General to perform annual audits on the Fund. Audits were performed in 1997, 1998, and 1999. The 1999 report indicates that all prior recommendations have been satisfied. However, MA is continuing to work on management of WCF costs incurred by WCF businesses but which are being billed directly to MA as a customer.